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Chair

The Honourable Wayne Easter

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● (0850)

[*English*]

The Chair (Hon. Wayne Easter (Malpeque, Lib.)): I call the meeting to order.

Members have been together pretty near every day and evening this week, so we're seeing lots of each other.

The hearing this morning is pursuant to Standing Orders 110 and 111, order in council appointment of Nada Semaan to the position of Director of the Financial Transactions and Reports Analysis Centre of Canada, referred to the committee on Thursday, March 22 of this year.

We have Ms. Semaan with us this morning. Welcome, Ms. Semaan.

Before we start, we did send out a note to members, because we haven't, I don't believe, as a committee in this Parliament, gone through order in council appointments. I just want to remind people what was in that note.

There are certain rules pertaining to the examination of order in council appointments. Committees are limited to examining the individual's qualifications and performance, with a view to their performing the duties the office seeks. This means that I as chair could interrupt the questioning of members if they deal with matters irrelevant to the committee's inquiry, for instance, political affiliation, contributions to political parties, and the nature of the nomination process. Any question, however, may be permitted if it can be shown that it relates directly to the appointee's ability to perform the duties of the office.

That's what we're here to go through, the ability to perform the duties of the office. I believe you have an opening statement.

Ms. Semaan, I believe you have an opening statement. The floor is yours.

Ms. Nada Semaan (Director and Chief Executive Officer, Financial Transactions and Reports Analysis Centre of Canada): Yes, I do, and thank you so much, Mr. Chair.

I'm very pleased to be here today to answer questions in relation to my appointment as Director and Chief Executive Officer of the Financial Transactions and Reports Analysis Centre of Canada.

I'd like to begin by saying how truly honoured I am to have been appointed to lead FINTRAC, an organization that plays such a vital role in protecting Canadians and the integrity of the financial system.

[*Translation*]

When I served as the Executive Vice-President of the Canada Border Services Agency, I saw first-hand the value of FINTRAC's financial intelligence and the results the centre achieves for Canadians.

The clearest example of these results can be found with project PROTECT, where the FINTRAC's financial intelligence has been critical to helping police rescue dozens of young Canadian women from the most horrifying conditions imaginable.

These types of results would not be possible without the dedicated efforts of thousands of businesses across the country that work with us to protect Canada's financial system, and that provide us with the information we need to produce financial intelligence for Canada's police, law enforcement and national security agencies.

[*English*]

I am committed to working with these businesses to ensure that they understand and are able to comply with their obligations under the act. I sincerely believe that they want to comply and that they want to help protect Canada and Canada's financial system. It is our job to ensure that they have the knowledge and the tools to establish effective compliance programs. With this type of support, I'm convinced that compliance rates will continue to improve and that we will find ways to make the regime even stronger and more effective.

As I follow your review of the act, there seems to be a solid understanding of the importance of Canada's anti-money laundering and anti-terrorist financing regime and the results it achieves for Canadians. Going forward, we are committed to looking more closely at the what and the how, and to engage businesses transparently and with an open mind to find even better ways of running our programs. This includes reviewing the burden facing businesses, and it is a priority for us that we work with them.

In my time as associate deputy minister at Agriculture and Agri-Food Canada and at Canadian Heritage, I worked collaboratively with a variety of stakeholders to address the issues and enhance programs and program delivery. I know the real benefit of working and listening to all perspectives and being open to change.

FINTRAC is at a critical moment in its evolution with this committee's review of the act, the implementation of our new analytics system, and the tremendous innovation that is taking place all around, including in the financial sector. Collectively, we are setting the course for FINTRAC for many years to come. I believe that my 27 years of experience in Canada's professional public service has prepared me very well to help navigate FINTRAC through the changes that lie ahead.

As the assistant secretary of the economic sector at the Treasury Board of Canada Secretariat, I worked very closely with Treasury Board ministers to find more efficient and effective ways of running government programs. I learned, in this role, that there is always a way to make programs better. FINTRAC is a strong organization with a very strong, knowledgeable, and dedicated staff, and I know we can make it even better.

[*Translation*]

Early in my career as an analyst at Cognos, I gained valuable experience in the field of information technology and business intelligence tools. I've put this to good use throughout my career and specifically as the Chief Information Officer and Assistant Deputy Minister of Systems at Service Canada, where I was delighted to play a key role in setting the vision, design and implementation of the Service Canada Initiative. It has certainly had a significant impact on the quality of service that Canadians receive from their federal government. This experience will be helpful as we work with businesses to enhance our program.

● (0855)

[*English*]

One of my proudest moments as a public servant came when I was responsible for running the old age security programs and the Canada pension plan as the senior director general at Social Development Canada. Specifically, when we looked at the process for seniors to access the guaranteed income supplement basically we saw that it involved several different application forms, very complex application forms, that resulted in a number of seniors not even knowing that they were eligible for the benefit, and when they did know they were eligible they did not know how to complete the application form to actually access the benefits.

With the help of our public service experts, we built a new process that not only was tailored to meet the needs of citizens but also made it much simpler. With that work, one letter was sent to seniors based on their income statement from the tax assessment to proactively inform them that they were eligible for the supplement. With this we were able to provide benefits and reach an additional 200,000 low-income seniors who did require the benefit in a very simple and efficient manner. This process is still in use today.

I am pleased to provide more detail on my experience but I would like to conclude by saying that, as a Canadian who immigrated to Canada at the very young age of five, I am humbled, truly humbled, to be here and to have the opportunity to serve Canadians in what is recognized internationally as the best public service in the world. In fact, I chose to make the public service my career in order that I may serve my country, the country that welcomed me and my family and has provided so much to us.

As you can see, I am a very proud public servant, but I am also a very proud Canadian. In every department and agency in which I have worked I have seen my colleagues demonstrate the same commitment to excellence. They listen. They learn. They always look to improve, and they rise to the challenge to both protect and ensure the economic prosperity and the prosperity in general of Canada and Canadians. This is exactly what I've seen at FINTRAC over the past two months that I've been there. I am blessed to join this team, but I have felt blessed, I'll be honest with you, to serve Canada and Canadians in every single public service job that I've ever had.

With that, Mr. Chair, I'd be happy to answer questions.

[*Translation*]

Thank you very much.

[*English*]

The Chair: Thank you very much, Ms. Semaan.

I don't believe we're going with the regular round. We will go to those who have questions. I might say, and I expect it's the same for all MPs on the point you made on seniors not knowing they're eligible for benefits, it always amazes me when people come into the office and they don't know they are entitled to certain benefits. That happens in a lot of our offices. That was one of the better moves that a government has made, in my view, in giving them notice, but then there are others who don't file their taxes so they don't know either. We run into that too.

We'll start with Mr. Dusseault and then Mr. Albas.

[*Translation*]

Mr. Pierre-Luc Dusseault (Sherbrooke, NDP): Thank you, Mr. Chair.

Ms. Semaan, thank you for being here and congratulations on your appointment.

My main question is about your experience in organized crime and crime in general. Of course, you do not have experience on the inside. I'm talking about law enforcement and the knowledge you have acquired on the ways organized crime works. Criminal organizations are certainly those who launder money, we know that. So I want to get a perspective on that issue in order to understand the way organizations involved in organized crime operate, so that we could arrest their members.

Ms. Nada Semaan: Thank you very much for the question.

When I was the Executive Vice-President at the Canada Border Services Agency, that organization was the second most important federal government agency in terms of law enforcement. I had the pleasure to work a lot with intelligence services. I learned a great deal from working in the criminal realm. We had many cases at our borders, and we were Canada's first line of defence against crime. I was also part of, and still am, a committee of deputy ministers responsible for national security.

When I was the executive vice-president, I worked with FINTRAC. I really saw the work being done there and the importance of information given to us and the information we gave to FINTRAC. At that time, I was very interested in that work and I knew that, owing to my work in security and regulation and regulatory administration, as well as my experience with computer systems and intelligence, the position would be a very good fit for me.

● (0900)

Mr. Pierre-Luc Dusseault: Thank you.

[*English*]

The Chair: Thank you, Mr. Dusseault.

Mr. Albas.

Mr. Dan Albas (Central Okanagan—Similkameen—Nicola, CPC): Thank you, Mr. Chair.

Thank you, Ms. Semaan. I certainly appreciate your presentation today in regard to your background. I certainly welcome you to this committee and wish you the best as you try to work on behalf of all Canadians.

In regard to our study right now, our statutory review on anti-money laundering, proceeds of crime, and anti-terrorist funding, we've come across a number of different sentiments. We had the minister of the crown from British Columbia, David Eby, come here, and he portrayed FINTRAC in.... While you certainly have said that you've had the honour and pleasure of working with many people, some of the best being at FINTRAC, he had a much different view. Are you aware of the comments he made about FINTRAC at this committee?

Ms. Nada Semaan: I am. Actually, we met with Mr. Eby as well when he came to Ottawa. We had a very constructive and very productive meeting.

As you know, the role of FINTRAC is twofold. One is to help businesses comply with the act so that we get the information and can then provide intelligence to law enforcement organizations. They can then do their work in terms of enforcement.

At that meeting, we spoke about how we can work better together, about how our information can be accessed, and about the work we've been doing. We also explained to Mr. Eby that we have increased some of our assessment activity in both the real estate and casino sectors. In fact, we've increased our assessments of real estate agents significantly over the past few years, to the point where 30% of all our assessments are in the real estate sector. A number of those are in Vancouver, Toronto, and other areas of the country.

Moreover, we have developed a casino forum where we provide information. We're doing a lot of outreach as well to explain to people the importance of that information, so that we can get it. With the casino forum, we've had provincial administrators or regulators of casinos, as well as casino owners and people who actually worked at the casinos. We were able to provide enough information where we did actually see an improvement in the number of suspicious transaction reports...and the number, so both quality and quantity of suspicious transaction reports in the real estate sector and in casinos. Once we get those, we create actionable intelligence for law enforcement to then take it to the next round.

We have been working collaboratively, and we've agreed to continue to work collaboratively.

Mr. Dan Albas: Okay. So—

The Chair: I don't in any way want to cut off discussion, but really, this line of questioning is getting into the second part of our session, when I would invite up here the rest of the FINTRAC officials.

Are there any more questions that people want to ask about Ms. Semaan's background and her ability to do the job?

Is there anything specifically related to the appointment process that we want to ask Ms. Semaan before we get into the rest?

Ms. Semaan, I believe you are here as a witness as well.

Ms. Nada Semaan: Yes.

The Chair: Really, it would be better to have this information as evidence in our proceeds of crime, money laundering, study than on the order in council appointment process.

Do you have a question here?

Mr. Dan Albas: No. I would just say, Mr. Chair, that this is a good suggestion and perhaps we might get unanimous consent from the committee to include the last bit of the testimony so that we can include that in our money laundering review.

● (0905)

The Chair: I think that's fine, if people agree.

Some hon. members: Agreed.

The Chair: Are there any more questions on the qualifications?

Mr. Sorbara.

Mr. Francesco Sorbara (Vaughan—Woodbridge, Lib.): Thank you, Mr. Chair.

[*Translation*]

Welcome, Ms. Semaan.

[*English*]

I was wondering if you could briefly touch on your past experience in terms of the size of the bureaucracy and the processes versus what you've now come to at FINTRAC, and how the two are relatable, or not.

Ms. Nada Semaan: Actually, this is one of the smallest groups that I've led in a long time. Before, as assistant deputy minister even at Social Development Canada, or ESDC—it's changed names so many times—as the chief information officer there, I led an organization of over 3,000 employees, with a budget of about $30 billion at the time. At Canada pension plan or old age security, we administered over $70 billion a year in benefits to Canadians.

I was the associate deputy minister at Canadian Heritage, which was my first associate deputy minister appointment. It was an organization of over 1,600 people. It was actually 1,800, but with the DRAP, it became 1,600. I managed a number of programs and a budget also in the billions, as well as a large portfolio organization in terms of arm's-length agencies.

At Agriculture and Agri-Food, I was an associate deputy minister as well. We led an organization of over 6,000 employees and billions of dollars of benefits as well.

At Agriculture and at Canadian Heritage, the job was actually leading arm's-length organizations, so we provided the policy advice. We provided some of the regulatory guidance and the policy guidance to them, but at arm's length.

Canada Border Services Agency is an organization of 12,000 employees, and about $1.8 billion in terms of mostly operational services at the border. There, I was at an agency that was arm's length from the government.

I've had both the opportunity to be the policy lead as well as an agent that is arm's length from government. I think it has actually served me quite well.

Based on my experience in intelligence and public safety at CBSA, but also on the regulatory frameworks that I've been able to put in place, whether it be at Agriculture, Canadian Heritage, or at ESDC, and with my IT background, I believe my training for this position has been very well established.

Mr. Francesco Sorbara: That is wonderful to hear. I'm just going to use the words "change management". I take it you are obviously quite familiar with that in respect of what you would encounter at FINTRAC if there needs to be additional changes or anything like that. We're confident that we have someone in place, and from what it sounds like, most certainly so, to handle that.

Ms. Nada Semaan: In every single one of my jobs, there was a very large amount of change management.

As I mentioned, at Canadian Heritage, we had to manage a workforce reduction of 30% and a major cut in our budget. That obviously included a lot of change management. About a year and a half after that, we had the public service employee survey. We had one of the best results in the entire employee public service survey, even with all of those cuts.

The guaranteed income supplement, for example, was a very major change. It basically was taking a look and saying that we can do better. Instead of Canadians having to come to government and apply on what was literally eight different application forms, and about 10 pages in number eight font—very hard to read—we said we can actually change it using the way the regulations and the legislation are set out. We can find a way where we can reach them. By working with our CRA colleagues and with the Office of the Privacy Commissioner, we found a way to do that. It required quite a bit of change because it totally changed how we actually delivered.

I must say even in the two months that I've been at FINTRAC...it is an organization that's used to change, that embodies and enjoys change. With the advancements in technology, we must change. We must first of all harness those advancements so that we can find better ways to work with our colleagues and our reporting entities, but we also need to take a look at those changes in technology because they now allow bad actors to have new methods in order to abuse our system. So, we will have to be constantly on top of all of that change.

Thank you so much.

Mr. Francesco Sorbara: Thank you.

The Chair: Mr. Dusseault.

[*Translation*]

Mr. Pierre-Luc Dusseault: I have a follow-up question about your experience in managing the regulatory framework of fines and penalties imposed on offenders.

Could that experience help you in this entire process of reviewing the fine scheme, which was deemed to be too subjective by the courts? Based on your experience at Employment and Social Development and at the Canada Border Services Agency, could those organizations be good examples of perhaps more adequate and objective regulatory frameworks on fines in order to satisfy the courts?

● (0910)

Ms. Nada Semaan: Thank you very much for the question.

My experience at the Border Services Agency was indeed very useful. The agency set many administrative penalties, and I have a lot of experience in that area, as well as with the appeal process.

In addition, when I was the assistant deputy minister at Agriculture and Agri-Food Canada, I gained a lot of experience, especially when it came to the implementation of policy and of the regulatory framework. I also worked at the Canada Food Inspection Agency, which has a very good process in terms of administrative penalties.

I also gained experience with FINTRAC. We have, and we will have, a very good administrative penalties program in the near future. I hope that it will be the best in the world.

Mr. Pierre-Luc Dusseault: Thank you.

[*English*]

The Chair: Hearing no further questions on the order in council appointment, we will ask the remainder of the witnesses from FINTRAC to come forward to join Madam Semaan: Mr. MacKillop, Deputy Director of Operations; and Mr. Beaudry, Assistant Director, Collaboration, Development and Research Sector.

On this discussion, we will move toward the finance committee's statutory review of the Proceeds of Crime (Money Laundering) and Terrorist Financing Act.

Thank you for appearing before the committee on the order in council appointment, Ms. Semaan.

Does anybody have an opening statement or are we going to questions?

Ms. Nada Semaan: We're good to go with questions.

The Chair: Welcome. I think we've met with FINTRAC previously, in camera, I believe.

Ms. O'Connell.

Ms. Jennifer O'Connell (Pickering—Uxbridge, Lib.): Thank you, Mr. Chair.

Thank you to all of you for being here.

I want to refer to the CBC story on April 5, 2018. One of the subheadings states, "The report tabled in Parliament calls banks good citizens. The internal report tells a different story." The article goes through significant findings of non-compliance through banks, the real estate sector, and money services sector such as payday loans.

When FINTRAC officials appeared before this committee, why were these concerns in the areas of study during this review not disclosed to this committee? This committee should be studying recommendations that should be coming through information that FINTRAC provided to the minister and the department.

The Chair: Who wants to take that?

Mr. MacKillop, and then we'll go to Ms. Semaan.

● (0915)

Mr. Barry MacKillop (Deputy Director, Operations, Financial Transactions and Reports Analysis Centre of Canada): Thank you, Mr. Chair.

At FINTRAC, when we do our compliance assessments and when we go out and do exams of our entities, those findings themselves, in terms of what we find within any entity, are not made public. We don't publicly release the findings of our entities. Our law does not allow that.

In terms of the discussions we've had here, we have indicated that there's always room to improve in any compliance assessment that we do on any entity. When we look at the reference of significant versus limited versus very significant, you're right that there were significant findings and deficiencies found in many of the exams we do.

It was initially set up as more of an audit approach, so we were counting deficiencies. If you missed an item on a report, it would be a deficiency. When you count up a number of minor deficiencies, you fall into what would be considered a significant area for attention, and we work with the entities to address those areas of attention.

The significant or very significant difficulties in the banks that we've examined, and in areas where historically there were significant difficulties or very significant deficiencies found, we've addressed through a number of different applications we use and a number of different enforcement actions we can take. We've worked directly. We've done outreach. We have action plans. We have follow-up examinations. We have AMPs. We also have NCDs, non-compliance disclosures, that we provide to the police if there are issues.

The reporting historically was an audit approach. We've now moved—and we have been moving over the last couple of years—to look at an assessment approach. While there may be deficiencies—

Ms. Jennifer O'Connell: I'm sorry to cut you off, but I do have limited time.

The concern that I'm trying to express is that even if there are minor deficiencies that add up to significant deficiencies, the public report that was tabled implies that compliance is great, that banks are doing well, and there are no concerns. If there are several deficiencies, even if they're minor, shouldn't this committee be told at some point that there's an area, although minor, that banks are having trouble with? Why does one public report demonstrate one thing, and an internal report that had to be accessed through the media and through freedom of information paint a different story? At the very same time, this committee is going through this review, including an in camera meeting with FINTRAC officials where any privacy issues could have been raised.

I understand that you don't release the findings, but if you have, for example, a 75% non-compliance rate in the real estate sector, at what point should that be raised with this committee as an area of concern that our review should look at?

The Chair: To all, we have to be careful that what was said in an in camera meeting is still held in camera.

Ms. Jennifer O'Connell: Did I say anything, Mr. Chair?

The Chair: No, you didn't say anything. It's just a warning. It's one of the difficulties with in camera meetings. What happens in camera remains in camera.

Who's taking it?

Ms. Nada Semaan: I looked at the same thing. Quite honestly the two reports put together provide the minister with a full picture of what is happening. They both highlighted that enhancements in reporting had happened in all sectors, and that is true.

As Mr. MacKillop has said, we changed the way we were doing audits. In 2017 we moved to an assessment model. You will see a difference. The way we were doing audits before, we would go into a bank and we might find a minor deficiency. For example, perhaps an address was not entered completely. That still allows us to do the work we need to do, but it's a minor deficiency.

A reporting entity such as a bank has millions, even billions, of transactions. If a bank had that deficiency occur a number of times, the number of issues in that one field would result in a major deficiency. The current definition of major deficiency can be clarified a bit further, because a lot of minor doesn't always mean it's major. The banks can fix that quite quickly, through a system fix, for example. As Mr. MacKillop said, the more we do audits, every single time we look at a file, if it's the exact same issue that we have found, we will add it every time. The number, because it's so big, turns the issue into a major deficiency.

As we move to an assessment model, we are actually looking more at the impact, which is a more outcomes-based approach, looking more at what is the impact of not having this information. If it is severe, it will be very significant. If it is a field that is missing that still allows us to do the job, it won't be identified as very significant. We're in the process of making those definitions a bit more clear and transparent in terms of what they really mean.

We are pleased that our reporting entities are improving. We're getting more suspicious transaction reporting in all of our sectors. We've actually received more. The quality is improving. Can we do better? Absolutely. Will we do better? Absolutely. We are moving in the right direction.

Also, a number of new obligations were introduced last year. Always, with new obligations, as they are preparing their systems, there could be deficiencies that are found.

● (0920)

Ms. Jennifer O'Connell: Thank you.

The Chair: There will be more rounds.

Mr. Albas.

Mr. Dan Albas: Director, as you have fresh eyes on the organization and you've seen other organizations and whatnot, I'd like to ask you a few questions about FINTRAC.

First of all, Mr. MacKillop mentioned that FINTRAC is legislated to report certain things and obviously to not report others because they're not given permission to do so.

We're looking at possible recommendations to the government. In order for you to build better trust in the institution of FINTRAC and better awareness of the responsibilities, do you think this committee could make recommendations that would allow more information to be made public?

Ms. Nada Semaan: I look forward to your recommendations.

At two months on the job, I would be very reluctant to start identifying areas to improve. However, I must say, the first thing I was actually told was we can't do this and we can't do that, because it's actually against the legislation. I was briefed very quickly in terms of what we can't do. One of the areas, for example, is on our results. Many times we can't speak of what we have given to law enforcement organizations. However, when they acknowledge our support, you can actually see that we provided support.

There are pros and cons to that. I know the committee has raised it, and it's a very appropriate question for the committee to study. Quite honestly, I look forward to seeing your recommendations. There are a number of variables that have to be looked at before one can come up with a solution to that.

Mr. Dan Albas: As decision-makers and policy-makers grapple with the issues about provincially regulated space in terms of real estate, transaction mortgages, private mortgages, etc., there are a lot of unknowns.

We did a study, basically, on the real estate markets of Canada last year. It was a good report. One of the things we heard was that CMHC and OSFI don't have the information that FINTRAC may have on purchases of homes with cash and whatnot.

There could be some aggregated data that may be able to provide policy-makers and the public with more information. You are legislated not to violate anyone's privacy, but do you believe this committee could make recommendations that would allow more information to be shared in those terms with policy-makers? This would be on an aggregated basis, where there would be no compromise on privacy. Do you think that would help your institution to be part of the solution when it comes to these challenging situations?

Ms. Nada Semaan: I must say I think we are already part of the solution. As I've mentioned, since I've been here, I've seen almost on a weekly basis a number of acknowledgements from law enforcement saying how our information has helped them. However, to your point, I think it is very much a balance of what Canadians expect of us in terms of respecting their privacy rights, the Charter of Rights in terms of what we collect, and also having sufficient information to be able to administer our anti-money laundering and our anti-terrorist financing regime. From that perspective, I think there is a sweet spot that we need to find, and I do feel that we need to keep looking at that.

In terms of sharing information amongst other federal governments, we do share currently within the legislation in certain areas. Again, I believe we need to take a look at who shares what. Part of the reason FINTRAC was created was that a lot of these transactions that we do get may not be required for disclosures, so it is important we protect that information. It is important that we guard that.

The Office of the Privacy Commissioner comes every two years. We're the only federal government agency that actually has a review every two years. I think it's important that we maintain that for public trust. Always, the more information you have, the better you can do, but we really also must maintain the Charter of Rights and public trust.

● (0925)

Mr. Dan Albas: I agree. You mentioned it to be a bit of a sweet spot where there is information that policy-makers want to know, that only FINTRAC may have access to. It would help to collate that in a format that doesn't compromise anyone's personal information.

This was raised and actually answered by one of your officials when I asked about the administrative burden, because there is a burden. It's important work that you do, but many industries feel the proportionality of filing papers, etc., to be quite onerous. Your agency does not track administrative burden. I'm all for public safety, and I'm all for making sure you have the resources you need to do your job. However, there seems to be an emphasis in your organization where it's only about being effective and not being efficient and working with groups, whether it be banks or small credit unions, particularly ones that I've heard of, where the proportionality of the reporting is quite onerous.

Ms. Nada Semaan: As I mentioned in my opening remarks, and as my experience has proven, at least at Service Canada, it is about working with the banks. It is about service. It's about smaller reporting entities. It's not just the banking sector. Burden is important to us at the centre. When you talk about effectiveness, effectiveness is very important, but efficiency is just as important. If it's extremely burdensome, we might not get the quality or the number or the volume that we need. That's why I committed in my opening remarks. We need to work with our reporting entities to find out what it is that we can do, whether it be technologically finding different ways of getting the data, in terms of receiving it, but also how we can work with them in terms of our requirements. Is the data required? Where is it required? How is it required? That was what I meant when I said the what and how is what we really need to focus on.

I've met with the Canadian Bankers Association. I've been to at least one of our regions and I've met with a number of CAMLOs, liaison officers in banks. That is part of the conversation that we're trying to have. Let's work together in order to find out what the sweet spot is.

You mentioned the smaller reporting entities. They also have fewer reports. Over 90% of our responses come from the banking sector, so they do have less of a burden.

Mr. Dan Albas: I appreciate that, Madam Director, but by the same token, the proportionality is there. There's a small credit union that I've spoken to. They've said, just on FINTRAC alone, they are over one full-time equivalent, and that's in a very small entity that has a high proportionality cost that gets put on it. Again, as a committee, we also see common reporting standards, FATCA. With all these different measures getting thrown onto these agencies, it gets to be a bit much.

Director, are you planning to start measuring administrative compliance by industry? If you don't measure it, you cannot manage it.

Ms. Nada Semaan: I think it will be difficult to measure something that is at another location. I think we can talk about what the burden is in terms of the requirement. We can focus on measuring, but we also need to focus on addressing it in terms of finding different ways. We are talking to different reporting entities to find out what the burden is. I am starting to ask the question everywhere I go to explain what the burden is, where they are seeing it, and how we can actually make it better. That is something that we're looking at.

In terms of measuring, some of our staff are starting to look at ways we might be able to measure, but it is not an easy way to measure in terms of what's happening outside of our organization.

● (0930)

The Chair: We're substantially over on this round. We'll come back on another round, I'm sure.

Mr. Dusseault.

[*Translation*]

Mr. Pierre-Luc Dusseault: Thank you, Mr. Chair.

Once again, I thank all the witnesses for joining us.

My first question is about an issue that was raised and that has not been given enough attention. I am talking about ATMs. I don't know whether we raised this issue with FINTRAC, when you appeared before our committee.

The responsible or the representative of the association of owners of automated teller machines seemed to be saying that everything was going well, that there was no problem and that the media were painting a negative picture of the situation, which was in fact not negative at all.

Do you think the ATM issue is a concern when it comes to money laundering?

What recommendations or suggestions could we make to try to resolve the problem that, for many, exists, although the association is saying that there are no problems?

Do you feel that there is a problem in that area? What can we do to resolve it?

Mr. Barry MacKillop: That is a good question.

It is difficult to know whether there really is a problem because this is not something that is currently being measured. The association does not report to us. There is no report on this, and we are not doing anything in that area. Based on the available information, we cannot be sure. Anecdotally, it is certain that, if there are ATMs at certain locations, there is reason to believe they could be used for nefarious purposes. A problem probably exists.

That is just another way to launder money. Money can be laundered through an ATM. We are not provided with a registry as such. We don't know who the owners are, we don't know where the money that goes into those machines comes from and we don't know who is withdrawing the money. Is that a way to launder money? Definitely.

It is difficult for us to provide a recommendation. This issue is raised in the document published by the Department of Finance. Other issues are also raised in that document.

Could a recommendation put an end to the use of ATMs to launder money? I am not sure. Since a solution is difficult to find, I invite you to be very creative.

The issue also involved compliance. What can be done? Who should support the compliance regime? Is it the owner or the actual location? Is there a real owner? It is difficult to answer those questions.

ATMs are indeed a way to launder money. Is that the most important issue? I don't know.

I will let you decide whether a recommendation should be made in that respect.

Mr. Pierre-Luc Dusseault: It's quite the challenge, indeed. We would need to figure out how to make sure the information gets to you as well as who in the chain should be the reporting entity subject to certain rules.

I have another question, and it's somewhat tied to what my colleague was talking about.

Does FINTRAC have an education mandate, in terms of ensuring compliance?

We heard from a witness who didn't even know he was supposed to submit reports to FINTRAC. He represented an independent entity; he was a real estate agent, I believe.

Do you do any sort of education to make sure entities are aware of their obligations and don't disregard the rules?

Entities that are in the dark about their obligations might not realize until a few months or years later, at which point, they face crushing penalties and fines.

● (0935)

Ms. Nada Semaan: Yes. It's very important to provide training and educate all entities that submit reports to FINTRAC on their obligations. It's one of the things we do. After we really started doing more outreach, we noticed a big improvement in the quality and types of reports coming in. We need to do more of that.

The centre isn't very big; we have just 360 people on staff. We receive reports from multiple entities, so we work with many organizations, such as the Canadian Real Estate Association, to help educate their members on their obligations. There is always room for improvement. To accomplish our education goals, we have to work with a number of stakeholders.

Mr. Pierre-Luc Dusseault: Do I still have time left?

[*English*]

The Chair: You have time. You have a minute.

[*Translation*]

Mr. Pierre-Luc Dusseault: We heard from witnesses that suspicious transaction reports submitted by banks were sometimes subjective. One witness told us that, in some cases, the colour of a person's skin, their appearance, or their behaviour was enough for the employee at the counter to initiate a suspicious transaction report.

Do bank employees ever submit reports that are based on highly subjective factors?

Mr. Barry MacKillop: It still happens, but not as much. In the early days, FINTRAC didn't have any guidelines, indicators, or even an education or information program. Five, six, or seven years ago, we started seeing fewer and fewer of these reports, particularly from the better-informed reporting entities. It's rare for a bank to send us a suspicious transaction report based solely on subjective factors; it's always tied to a transaction. We do a lot of outreach work with reporting entities. We provide them with information on potentially suspicious transactions, as well as indicators and ways to identify money laundering trends.

I can't say that it never happens, but we seldom receive suspicious transaction reports that are not consistent with the legislation, meaning transactions that do not need to be reported. When they do come in, we don't use them and we remove them from our system. Furthermore, if we were to notice that a reporting agency kept submitting transaction reports that did not meet the threshold for suspicious activity, we would contact the entity directly, making sure it knew when transaction reports were required and what the thresholds were.

In short, the kinds of reports you are referring to are rare, and when they do come in, we delete them. If we notice a trend or an ongoing problem, we talk to the reporting entity directly about compliance. That said, the people in charge of intelligence would help us determine whether the reports were appropriate or not.

[*English*]

The Chair: I have a comment on that last point in terms of working with them to get better compliance and on the questions raised by both of the last two questioners.

In what we will get, say, from a small credit union that only has six employees versus a bank in the next city that has a whole department almost, there is a huge difference in the burden to fill out the information for FINTRAC. How do you work with them? Is it a matter of a phone call? Is it a matter of sending some people in to talk to the institution to help? What's that relationship like when it comes to, say, working with a small institution in a rural area? How do you do that? Is it a paper trail? Is it a phone call? Is it a visit? How do you develop that relationship?

● (0940)

Mr. Barry MacKillop: Mr. Chair, we use just about every possible technique. Certainly, we have a very informative website, so there is a lot of information available on the website.

If they are a new entity, there may be more specific outreach to ensure they're aware of where to find the information they need. If they're not a new entity, if they are an existing credit union, we work very closely with them. We've done webinars. We've done regional outreach with credit unions in particular regions within Canada. We do information sessions. Personally, I have sat on a two-hour webinar with credit unions across Canada to address questions and concerns, and to talk with them about the burden of reporting, as well as the necessity of reporting. We also talked about how they might ensure that they are doing what is required; what the requirements are; what guidance is available; how their credit unions may or may not be used for money laundering or terrorist financing; what types of things they may be able to look for; and what's required in terms of a compliance program. We do outreach, and we do it specifically with them.

There are Canadian credit union associations, and we will work with them to make sure that the information we provide reaches the individual credit unions within that association. We've done it regionally as well, with regional credit associations. We have a lot of different techniques that we use.

If we were to do an exam—that's another opportunity. When we do a notification letter, there is always a written piece saying that we're coming in, in *x* period of time to do an exam, what the scope is and what we will look at. There will be discussions usually between reception of that letter and the actual exam. There are discussions throughout the course of the exam. There are also discussions at the exit interview about the findings, the challenges that we see, how they may be corrected, what some of the mitigating factors may or may not be, and what that particular entity is choosing to do or would like to do to address the issues. From there, we move on to whatever the findings letter is.

We reach out to people in as many different ways as possible.

We also have a 1-800 number. People do call in. They do ask questions.

We do put out policy interpretations, and we do several policy interpretations. In 2016-17 there were somewhere around 1,500 inquiries to FINTRAC. Obviously they were not all from credit unions, but we do respond to those. We respond directly, and when there are policy interpretations.... The question may come from one particular credit union but if there is a wider impact, not only will we put out the policy interpretation publicly, but we will also push it out directly to those in the sector who may be affected by that policy interpretation. They're all on our website, but we will also actively push out a policy interpretation and any new guidance that we develop because we want all sectors to have access to it. While we have a major reporters forum, we do other work as well.

The Chair: Mr. Sorbara.

Mr. Francesco Sorbara: Thank you, Mr. Chair.

My first question deals with your introductory remarks, Ms. Semaan. On page 2 under the heading "Working Together to Strengthen the Regime", the last sentence in the second paragraph states:

> Going forward, we are committed to looking more closely at the 'what' and the 'how' and to engaging businesses transparently, and with an open mind, to find even better ways of running our program. This includes reviewing the burden facing businesses, which is a priority for us.

Can you elaborate on that, please?

Ms. Nada Semaan: Absolutely. As I mentioned, we know what information we need, but we also need to take a look at the collectivity of information from all of our reporting entities and to ask the question: what exactly do we need from the various reporting entities and how can we actually get it in a simpler way? For example, we've spoken quite a bit about the burden on the real estate sector. The majority of information that we can get from the real estate sector will be suspicious transaction reports that will result in actionable work.

In terms of large cash transactions, we will also get that information from the banking sector and from other sectors as well. It's the question of how we can work better with everybody and make those linkages in order so that we can find an easier way, less burdensome way, for us to get the information.

Also, with the use of technology, people and most banking institutions are now moving into blockchain. In blockchain you actually would have to go get the information. In our legislation we cannot get the information. We must receive it, so how is it that we can actually take advantage of the new technology while still respecting the spirit of why that legislation was in there? You don't want us going in and taking whatever we want, but what kinds of barriers can we put where we can get what we're entitled to, which then would reduce the burden on these people quite a bit as well?

How can we work even with the smallest firms that don't have those big systems in place? Can we create an online capacity for them to just log in and be able to do something very simply? Can we work with them to take advantage of some of those technologies? It's only by talking to them and finding out exactly what it is that they find the most burdensome, what it is we can do to help them, and then to put together an action plan to deal with that. It is a priority, and we are positive that the minute we deal with that the quality and the quantity of reports will actually improve.

● (0945)

Mr. Francesco Sorbara: Thank you.

I want to switch gears a little bit. We all read the CBC article "Ottawa's secret report on money-laundering points finger at Canada's banks". We're all familiar with when that came out. There was something in here and I wanted to ask you—or your officials may want to address it—about the change that took place in FINTRAC in 2016-17. I'll read it verbatim from here, so I make sure I get it correct. It says that the agency "abandoned its technical audits of banks and others in favour of broader assessments of 'overall effectiveness in complying with their legal obligations.'" It goes on that you can't compare now apples and apples because we're not comparing apples anymore.

Was that a good change? It's easy to say it was a good change, but has it been an effective change? Has it improved the information that's flowing back to FINTRAC in terms of the regime's overall effectiveness in terms of what FINTRAC does?

Ms. Nada Semaan: I can speak and I'll let Barry jump in after.

In terms of the move from an audit approach to an assessment approach, it is a move that is extremely important. As Barry mentioned, and I believe I might have mentioned, by moving to an assessment approach we're still doing a review and an assessment of the organization.

The difference is in an audit approach as we found a minor deficiency, we would keep looking at that same minor deficiency over and over again. In an assessment we look at the deficiencies. We identify the impact of these deficiencies. We work more with entities in a more collaborative way in terms of saying this is what we require.

We will take that impact and then we will assess how that is helping us or hindering us from being able to do our work. From an audit to an assessment approach, it is the smart way to work.

Mr. Francesco Sorbara: It's almost like when you're looking at accounting you're using rules versus principles.

Ms. Nada Semaan: Absolutely. That's actually a better way to put it.

Mr. Francesco Sorbara: That's the comparison.

Ms. Nada Semaan: And outcomes. It doesn't matter if we have 100 very minor deficiencies that really don't have an effect on the outcome, but I might have one deficiency that has an effect on the outcome. Therefore, I need to focus on the one that is important, not the 100 that actually I can just ask them to fix very easily and they can do it. We will still identify those, but we will focus on the principle and the outcome.

Mr. Francesco Sorbara: You mentioned this at the beginning. We've obviously heard a lot on blockchain technology. I don't really know what it is. I've heard a lot about it, but I haven't been exposed to it. It seems that in this world things are changing with regard to blockchain. Even the energy requirements for Bitcoin are massive if you want to talk about what's going to drive energy bills. In terms of blockchains within our financial institutions and within FINTRAC's purview, do you have the resources? Is the legislation appropriate for this changing technology that you're guided under?

Ms. Nada Semaan: I think it is appropriate to look at the guidance document that Finance has put out. It is appropriate to take a look at what we need to deal with new technologies, whether it be cryptocurrency or blockchain.

I'm not convinced that means there is a change in legislation. I think we need to understand it and review it to make sure that we can take advantage of both those technologies but also understand the information of these technologies and the capacity that it gives actors to potentially abuse the system. It's sort of a two-sided coin. We want to take advantage of it to be able to work more efficiently with our reporting entities, but we are also very aware that some of this new technology allows bad actors to abuse our system. We need to work very closely on that.

In terms of knowledge, we have incredibly dedicated staff who are quite knowledgeable in cryptocurrencies. As a matter of fact, we're leading, through the Egmont Group, a study paper that we are putting forward internationally on the impact of virtual currencies.

We are very aware of the issues, and we work closely with our colleagues at the Department of Finance to ask how we can move into that area in a very measured and appropriate manner.

● (0950)

The Chair: Mr. Albas.

Mr. Dan Albas: I'd like to continue to talk to the administrative burden. Obviously, you're a compliance agency, so you have a set of marching orders, so to speak, delegated to you legislatively, and you seek to do that.

In the United States, on every piece of paperwork with which you deal with the government, the bottom right-hand corner will say how much time it takes to fill out the form on average. That's one way of assessing the amount of time that an entrepreneur might take to report. Here, closer to home, we have the Red Tape Reduction Act.

Your role is a little different, because it's not quite the same as a regulator, but even to be taking an industry-by-industry average of what the compliance costs are and then setting reasonable goals.... Do you feel that, under the current framework you have, you can start to measure those compliance costs or is this something that should be spelled out by Parliament legislatively so that you can start to take a look at the proportionality on your administrative burden?

Ms. Nada Semaan: On the question in terms of this requiring legislation, I believe we have all the capacity to be able to do it. In terms of how we do it, whether legislation is put forward or whether we are asked to do it and we find a way to do it, there's one thing about looking at the data, but there's also making sure that it's telling you the right thing. That would be my concern, making sure we're getting the right information.

We will have to at some point take a look at.... As I mentioned, my goal is to work with all reporting entities to identify and understand that reporting burden. If there is a way to be able to measure it—and you've given me a number of ideas on terms of how to look at it—we will look at it. Does it require legislation for us to look at it? No, it just requires us to find a way.

Mr. Dan Albas: I sincerely appreciate hearing that, because I know you have a very difficult job to do. There are lots of information transactions coming out on a regular basis, but I am glad to see that you're interested in asking if how we are doing this is not just effective but efficient.

Again, with Treasury Board Secretariat for example, the Red Tape Reduction Act, and the small business lens, there are codified systems within government. I would hope you would tap into that, because there is a lot of good work that has been done to reduce the administrative burden on a systemic basis industry by industry. I would hope you would look at that, because I'm sure there are some industries.... We've heard from jewellers and whatnot who oftentimes are small family operations. For example, the temptation to sell a pair of earings each separately for $5,000 so that they don't have to report the $10,000 threshold level would be something that some entrepreneurs may look at just because they don't want to have to fill out that extra form. Putting those incentives in that way seems to skirt compliance.

Director, you mentioned earlier that if you can make the compliance easier, you'll see better results. I would greatly encourage you to look at that. I would also encourage my colleagues to look at making recommendations to make some sort of administrative compliance at least in an initial inventory, but to find that efficiency so at least we cap that administrative burden, particularly on some smaller industries.

● (0955)

Ms. Nada Semaan: Thanks for that. I would argue, though, that it cannot be one size fits all; there will be a different burden depending on the size and on the reporting entity. That is why it will be so critical to really work with the industry. To put in a goal before we've sat down with the industry, spoken to them, and truly understood what they mean when they say "administrative burden" could actually take us through the wrong door.

I totally agree with you. That is why I believe strongly that we have to work with the industry. We need to hear from them exactly what it is and how we can do it, and it will have to be tailored to the capacity of the industry.

Thank you.

The Chair: Thanks to both of you.

Mr. McLeod.

Mr. Michael McLeod (Northwest Territories, Lib.): Thank you, Mr. Chair.

Thank you for your presentation today. We've heard a lot about FINTRAC and the whole regime over the last while.

One of the things that stood out for me was information sharing. I read in an article the other day that a bank was fined, but the bank was not identified. There was no information on which bank it was. I would assume that trying to create awareness about money laundering and everything involved in it would be something that would help us, but it seems that FINTRAC wants to keep things under wraps.

I'm wondering why FINTRAC would protect a bank from public scrutiny, as was reported.

Ms. Nada Semaan: First of all, I think the former director came to the committee and spoke to the decision that he exercised under his discretion. The one thing I'd probably say, though, is that under the legislation the way it currently is, a bank cannot be named until all proceedings have been completed, including any potential appeals process. That is a question for the committee: is that where it should be or not?

However, Finance Canada, as well as our past director, also identified and committed that they will look at ways of being more transparent. I believe in transparency and openness wherever possible, so I'm very much looking forward both to your review and also to the document, the discussion paper, put out by Finance, which actually talks to the naming issue as well.

I am committed to ensuring that we continue on that work, and with the administrative monetary penalty review as well, in being able to create the proper program. As the regime puts it, it's an administrative monetary penalty; it's intended to be not the first response but a response within the tool kit. I am committed to being able to work with the committee as well as Finance Canada on the naming and what is the most appropriate method going forward.

Mr. Michael McLeod: Okay.

I'm going to assume, then.... The recommendations brought forward by the Canadian Bankers Association indicated that they felt the regime should be improved through "greater collaboration" and better "communication, and information sharing between governments, law enforcement, and financial institutions". They talked about allowing financial institutions to share information amongst themselves. They also pointed out that it is hard to restrict a customer who they feel is a high risk and to provide that information to other banks.

Maybe you could give us your view on that. Is that something that really needs to be improved? Maybe we need to make a recommendation in that area.

Ms. Nada Semaan: I heard the same thing when I met with the banking association as well as a number of banks individually. As I mentioned originally in one of the comments I made, there is a sweet spot in terms of protecting Canadians' privacy and the Charter of Rights and being able to share the information.

Yes, obviously if banks can share information amongst themselves, that would be information that would be well known, and it would actually help them, but I think we do have to weigh that against the Charter of Rights.

I don't know if you want to add anything, Barry?

We do have to look at it that way.

Mr. Barry MacKillop: I agree. I think there are certain benefits in information sharing. We've seen it through Project Protect, and the information shared around indicators of crimes related to human trafficking, for example. We've done it with Project Guardian, working with our big banks, credit unions, our money services businesses to look at the trafficking of fentanyl and financial transactions related to that. We've worked with them to develop and provide indicators to them. We've seen the benefits in enhanced reporting.

PIPEDA currently allows the banks to share information related to fraud. I understand that the committee is giving consideration to expanding that from fraud to financial crimes. Certainly, there would be some benefit.

We've heard from the banks. We're continuing to work and study this issue with them. As Madam Semaan mentioned, what is the sweet spot? Where is the protection of privacy versus the protection of the economic system versus preventing, detecting, and identifying money laundering, particularly terrorist financing? Work continues to be required on that. I think it is an avenue that requires some very informed and dedicated work.

● (1000)

The Chair: I have Mr. Grewal. Are there any others? Mr. Dusseault, did you want to get in for a little question?

Mr. Grewal.

Mr. Raj Grewal (Brampton East, Lib.): Thank you, Mr. Chair.

Thank you to the witnesses for coming today. I want to pick up on the question of compliance by financial institutions.

How many anti-money laundering investigations per year lead to charges? Do we keep that type of data?

Mr. Barry MacKillop: As you know, FINTRAC provides intelligence to law enforcement and national security. It's up to them to do.

Many of the investigations are on the predicate offence to money laundering. If we look at StatsCan, there are lots of arrests, lots of charges every year. How many money laundering charges in the end has been an area of criticism in Canada's regime. That would be more appropriately answered either by law enforcement or public prosecution services, as opposed to FINTRAC.

The requests for assistance in voluntary information records that come into FINTRAC and the type of assistance that we provide law enforcement are increasing year over year. That would suggest the intelligence we're providing is in high demand, is quite useful, and actionable. We've seen that.

When we help stop a human trafficker by providing financial intelligence, is there a charge of money laundering at the end? There may be or there may not be. As you know, it's often pursued after the conviction for the predicate offence. It's hard to say, and we do not track. We provide intelligence. We can't say one disclosure from FINTRAC leads to one...we're just a piece of the investigation and of the intelligence we provide to our law enforcement and national security partners.

Mr. Raj Grewal: I have a personal example when it comes to regulation. Because we're elected officials, we fall under the PEP legislation.

I recently got engaged, and my fiancée works at a financial institution and made me get a bank account at that financial institution.

We're getting married this summer, and she had to pay a vendor in India, because that's where she bought her traditional outfits, and they were flagged because the transaction was a wire transfer to India. It wasn't a big amount. It was $5,000. She had to answer a bunch of questions on it. She was a little annoyed for having to do that, and she asked me why.

I thought she was flagged as somebody close to a PEP. I felt that was an over-regulation to a certain extent because there's a privacy concern. Where's the balance between stopping anti-terrorism funding and somebody being able to shop for their wedding? I think that covers a huge spectrum.

Mr. Barry MacKillop: First of all, congratulations.

Mr. Raj Grewal: Thank you.

● (1005)

Mr. Barry MacKillop: I hope it was just opening the bank account that.... We won't go there.

You're right. You're all PEPs, as is Ms. Semaan. I am actually, as well.

When you're a PEP, it simply means that when the bank account is being opened by any institution, credit union or otherwise, they have to ask a few more questions in terms of source of funds, source of wealth, those kinds of things, and then determine the risk. They do that with all clients.

It's just that with PEPs, there's an added understanding of who the person is, and the potential for corruption, potential for access to public funds, those kinds of things. It applies to foreign PEPs as well as domestic PEPs.

With regard to the electronic fund transfer being flagged, I didn't hear you say it was stopped. Questions were raised, but it was not likely because she was a PEP. It was probably more likely the area where the money was going and the fact that it was an unusual transaction for her. It's not her normal course of business to send money home, for example, to India. If she had been doing this on a monthly basis, there probably wouldn't have been any questions.

The fact that it was unusual, was new, someone said, "Oh, what's going on?" "Well, I'm getting married. I'm buying a dress." The next time she sends the additional money—for $5,000, she may or may not have gotten the dress; it may have been a down payment—to pay the balance, it likely won't be flagged. Being flagged at the bank doesn't necessarily mean it's flagged and sent to FINTRAC.

With all of your $10,000 or more electronic funds being sent anywhere out of Canada or coming into Canada, those reports will automatically be sent to FINTRAC. Again, when we—

Mr. Raj Grewal: How many of these happen per day? I can only imagine that it's in the thousands.

Mr. Barry MacKillop: Over $10,000, we get about 19 million a year, and I'd have to divide—

Mr. Raj Grewal: With 19 million a year, what's the process at FINTRAC to identify what ones are worth investigating and what ones aren't? That number of transactions—19 million—is a lot, but the $10,000 transaction could be just as bad as a $1.1-million transaction.

Do you have the resources to dive deep into 19 million transactions, or is it like there's a requirement to flag it so the banks are covered? They say they sent it to FINTRAC, but is FINTRAC able to do its job?

Mr. Barry MacKillop: Yes is the short answer, and quite well. We did well over 2,000 disclosures last year.

Do we examine every electronic fund transfer that comes into FINTRAC? No. Those that we do not disclose after 10 years are segregated and disposed of. The issue is that we won't know right away whether that transaction that came in is worth developing actual intelligence on. We use that as one piece of the intelligence picture that we put together for law enforcement or national security or international....

We may have an electronic fund transfer, or a number of them sitting in our data bank, and it's not an issue in Canada for that person, but somebody from another country is looking at that person for potential money laundering.

Mr. Raj Grewal: You're seeing electronic fund transfers. That's $10,000 or more sent by a wire transfer in or out of this country.

What if it's a cash transaction, or a certified cheque that's being withdrawn? Is that the exact same thing? If I'm buying a car and I take a certified cheque from my bank account, is that sent to FINTRAC as well?

Mr. Barry MacKillop: No, it's large cash transactions of $10,000 or above within 24 hours. The multiple $5,000 in two days within 24 hours would get reported. With electronic fund transfers, it's automatically any electronic fund transfers of $10,000 or more within 24 hours. We also have suspicious transactions, which could be a $2 transaction. If it's suspicious, that would also get reported to FINTRAC.

The Chair: We're well over time, Mr. Grewal.

Mr. Dusseault.

[*Translation*]

Mr. Pierre-Luc Dusseault: Which reporting entities currently have the most trouble complying with the rules? Do you evaluate their performance? What I seem to be hearing is that banks do the best job. Perhaps it's due to the fact that they have the necessary infrastructure in place.

Mr. Barry MacKillop: Every sector has problems, issues, and challenges.

It varies from one sector to the next. For instance, I can't say that credit unions have more trouble following the rules simply because we detected a problem at one credit union after conducting an examination. It happens in the banking and real estate sector as well. I can't really say that one sector is more problematic than the rest. However, certain reporting entities in some sectors may have a harder time than others, and that's why our examinations focus on reporting entities and not whole sectors; sectors are not uniform.

● (1010)

Mr. Pierre-Luc Dusseault: My next question is about the possibility of partnering with the Canada Revenue Agency, CRA, to combat tax evasion.

If I understand the responses provided by the Minister of National Revenue correctly, CRA employees analyze thousands, if not millions, of electronic transactions of $10,000 or more involving countries where tax evasion is problematic. Does FINTRAC work with the agency to flag transactions of $10,000 or more?

If so, is the current mechanism doing the job, or could it be improved to make more information available to the agency in order to fight offshore tax evasion? I'm thinking of large or frequent transactions involving countries with next to no taxation.

Mr. Barry MacKillop: Yes, we work closely with CRA employees. Initially, we helped them set up their data reception system. Both of our organizations use the same system for transactions of $10,000 or more, so we receive the same documents. FINTRAC probably receives more suspicious transaction data than the CRA.

We receive requests related to voluntary reports. If CRA employees are conducting an investigation, they can come to us for information, which we regularly provide. We also co-operate on forums and talk about ways to update tax evasion indicators tied to money laundering. We work with the CRA, sharing information that is necessary for ongoing investigations.

[*English*]

The Chair: The last question will be from Mr. Sorbara.

Mr. Francesco Sorbara: Thank you, Chair.

This has been a very good meeting this morning, and thank you for all your commentary thus far.

I do wish to ask, considering the severity of the transactions and the information technology out there, if we can do a better job. This is also going to Mr. Albas' comment on the transactional burden on entities, especially smaller ones, credit unions and so forth. I think we're getting to a point where bigger is always better, or if it's not that bigger is always better, it's that only bigger that can handle the administrative burden. We're not going to get those small banks that are founded at one time and can grow into larger institutions, or smaller credit unions that can grow into large institutions. I wanted to get some colour on that front. With the information technology out there—going to Mr. Grewal's comment that a $10,000 transaction can indicate a much more severe "washing", or whatever term you want to use, than a million-dollar transaction—is it possible to get to a point where businesses will have less of a burden and the system will be more efficient?

Ms. Nada Semaan: That's exactly what we want to work with businesses on. As you have noted, the banking sector, the major reporter sector, actually has put a lot of these systems in place. A lot of the reports we get, whether it be the large cash transactions or others, just happen automatically so there is a lot less of a burden.

How can we work with the smaller guys to figure out how to do something similar for them that will be a lot less of a burden? This is an area that we're very interested in.

I mentioned earlier that we're also developing a new analytics modernization system. That system, which should be implemented later on this year, will enable us to have higher quality and more effective and timely responses to our law enforcement partners in terms of being able to provide actionable reports.

We are using technology, and we will continue to use technology, but we also need to work with the reporting entities. Some of the smaller ones—the honourable member mentioned the jewellery store—might not have the same technology as others. We need to find a way to work with the technology based on the capacity of each of the reporting entities that we work with. There will be a number of tools we will have to look for.

● (1015)

Mr. Francesco Sorbara: In terms of FINTRAC's sharing best practices, can you give a quick view of how we are with our international partners? Could you comment on that?

Ms. Nada Semaan: Yes. We work very closely with our international partners and share best practices all the time. As a matter of fact, we are looked at as one of the best financial intelligence units worldwide. Many times people come to us for best practices.

Project Protect, which Mr. MacKillop identified and I mentioned in my opening remarks, is a private-public partnership. Together with banking institutions, money service bureaus, and our law enforcement, we were able to deal with some very hard circumstances for Canadian women in the human trafficking area. We are now working on Project Guardian, which aims to deal with the trafficking of fentanyl, which is a very serious problem as well. People are asking us to go around the world to explain the process and how it works because of the results we've received.

As to the analytics system we've received, again, we got that as a best practice from one of our international partners and we enhanced it. Now we have other international partners coming to us and asking to take a look at our analytics system. Anti-money laundering and anti-terrorist financing is a fight worldwide, so we work very collaboratively internationally.

Mr. Francesco Sorbara: Thank you.

The Chair: As a final question, are there any top-of-mind recommendations that you think the committee should consider in terms of our money-laundering and proceeds of crime review?

Ms. Nada Semaan: I don't have anything top of mind, but I do want to thank the committee. I think the work you're doing and the number of witnesses you're speaking to is very heartwarming for us. We want to hear your recommendations. We want to know what your thoughts are.

As well, I believe a lot of our ideas are out in the report that Finance put out. The comments coming back from that will inform us quite a bit.

Going to some of the comments, I do believe that even with new regulatory requirements or legislative requirements, we do have to balance the requirement to get that data with the administrative burden. That's something we're very cognizant of and very cautious of. Your ability to look at the two sides of the burden—I know you're very concerned about it—is very welcomed.

Thank you.

The Chair: Thank you.

For committee members' interest, we're back to the regular schedule next week, which people will welcome.

On Monday we have the Financial Consumer Agency of Canada, and on Wednesday we have the final witnesses on this study before we do our travel on this study.

For the Wednesday meeting, we need to finalize the budget for pre-budget consultations in the fall. We need to determine a theme that we would put out in June for people to consider on pre-budget consultations. People might want to think about that between now and the meeting on Wednesday. We have to have our budget in by next Friday, so that's being worked on.

With that, thank you very much, Ms. Semaan, Mr. MacKillop, and Mr. Beaudry.

The meeting is adjourned.

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